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The high cost of divorce

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By Tim Grant / Pittsburgh Post-Gazette

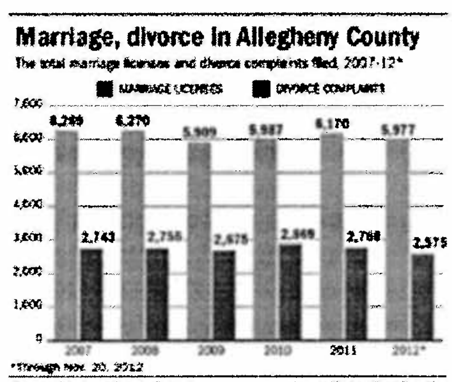
As a certified divorce financial analyst for more than 10 years, Lisa Turbeville has worked with couples going through one of the most stressful times of their lives.

And in today's challenging economy, Ms. Turbeville says she is finding that divorce is a luxury that many middle-income families -- and even some upper-income families -- cannot afford.

"Middle America is having a real problem with dividing assets, and not having enough assets," Ms. Turbeville said. "The 401(k)s that should have been contributed to heavily haven't been. I see an awful lot of debt, and it's almost across the board in middle America."

Divorce filings in Allegheny County had been rising slightly since 2007. But the upward trend appears to have peaked at 2,869 in 2010 and is now declining, according to Allegheny County court records. Divorces since 2007 have averaged about 2,700 a year. However, the number of marriage licenses applied for in the county have remained relatively steady since 2007, averaging about 6,000 a year.

While her office at Watermark Financial is based in Mt. Lebanon, Ms. Turbeville's clients come from all over the region, including Fox Chapel and Sewickley, she said.



PG graphic: Marriage, divorce in Allegheny County
(Click image for larger version)

"What often happens in divorce is people haven't always been managing their money very well prior to divorce," she said. "So, they've generally got a lot of debt. That debt compounded with the house forces them to try to figure out how to get themselves to even before they can split.

"We're not talking about one credit card," she said. "We are talking about 10 or 12 credit cards, which is astonishing to me. When I see that kind of debt the first thing I want to see is how much the interest rates are. Those interest rates are in the 20s. I have seen 29 percent, which I can't even believe is legal."

She said couples who haven't managed their finances well when they were together often want to clean up their debt during divorce proceeding. That can mean taking a withdrawal from a 401(k) retirement plan.

"That can work," Ms. Turbeville said. "But my biggest concern is the behavior. If you've run up that debt on all the things you 'need' and you suddenly have clear credit cards, your behavior will soon have you back at $40,000 or $50,000 worth of debt.

"Debt is a huge problem I see in marriages."

One of the more disturbing trends she is seeing is a growing number of couples in the throes of divorce who cannot afford to live in separate houses, often until they can sell the house they shared. Depending on the real estate market where they live, this awkward living arrangement can last years, leaving children to wonder if their parents are really separated.

Generally speaking, when a couple is divorcing and one of them plans to keep the house, that spouse will need to refinance the house to remove the other spouse's name from the deed and the mortgage. It is often a challenge in this tight loan market for a so-called dependent spouse relying on child support and alimony to qualify for a mortgage.

"If a dependent spouse can't refinance the house and get the other spouse's name off, the other spouse may have trouble getting a mortgage themselves because they've already got their name on the marital house," Ms. Turbeville said. "I've got somebody now in that situation. He's trying to buy a house. She was late on mortgage payments, which affected his credit. Now he's having trouble getting a mortgage."

Divorce also can be a rude financial awakening for women whose main job was running the household and caring for the children, Ms. Turbeville said.

"The women who stayed home with the kids has to go out there and get some skills or get recertified," she said. "What I see is the husband may be making $150,000 to $200,000, and the wife can go back to work and make $35,000.

"These are people maybe up to age 45 or 50. These are people with college degrees, but they have been out of work so long technology has swept by them. Their skills have become obsolete. So they've got to go back to school and start at ground zero. They aren't going to be able to build up the retirement savings and are not likely to ever have the same kind of income."

Plus, the dependent spouse's financial well being remains linked to the primary breadwinner.

"Let's say a dependent spouse had qualified for a mortgage at a certain income based on the amount of support she's getting and suddenly the support is cut," she said. "That happens more than you might imagine -- executives getting laid off. And it will take them one or two years to get new employment. They might have to relocate and that adds an additional problem of visiting the kids."

The role of a certified divorce financial analyst is to help couples understand the financial impact of their decisions and evaluate the options.

"Part of why I exist in this speciality is to help people figure out their finances, and also help them figure out what their new life will look like post-divorce. How much money are you going to have to spend? If it's not there, you can't spend it. I don't care if your kid needs to go to that private school. Maybe they don't.

"There's a lot of hard choices that have to be made. My job is to help get them on their feet. I'm the reality check. I'm not fun. I'm the one who says you can't do that."